

Teaching Notes; The “Bear Claw” Drywall Clips: Taking A New Product To Market

Jerrold A. Van Winter, Ph.D., Hood College, USA


ABSTRACT

The “Bear Claw” case study was published in the Journal of Business Case Studies (September/October 2011 issue, Volume 7, Number 5). The case study has been used in marketing and entrepreneurship classes at several universities. Based on feedback from these classes and comments from individual reviewers, these notes were developed to support the teaching of the case.

The “Bear Claw” drywall repair clips provide a unique and effective method for repairing damaged drywall. The product received positive trade and press feedback. However, the “Bear Claw” has yet to achieve the commercial success expected. After working through the case discussion questions, students should be able to identify missteps made in the past in commercializing the product and suggest potential strategic directions for the future of the “Bear Claw”

Keywords: Entrepreneurship; Marketing; Marketing Research; Marketing Strategy; New Product Development Process

USE

 This case highlights the challenges inherent when an individual or small company attempts to move from a product idea to the commercialization of the product. After analyzing the case, students should appreciate the importance of key marketing concepts, such as the new product development process and marketing research. Regardless of the size of the organization, it is critical to consider basic marketing concepts when bringing a new product to market.

The “Bear Claw” case has been used at the end of introductory marketing and entrepreneurship classes, as it is an integrative case incorporating concepts covered throughout these courses.

DISCUSSION QUESTIONS

1. Which stages of the new product development process were skipped by DiGate Design in the commercialization of the “Bear Claw”? How did ignoring these steps impact the success of the product?
2. How much has DiGate Design invested in the “Bear Claw” to this point, from the information provided in the case? Are these the total costs incurred by DiGate Design and John DiGate on the product? If not, please explain.
3. How much marketing research was undertaken before the “Bear Claw” was commercialized. What type of marketing research do you believe would have been most beneficial for DiGate Design?
4. Complete a quick SWOT Analysis for DiGate Design. What do you believe is the most important information from this analysis for the company to consider when examining strategic options?
5. What strategic options did John DiGate have when moving forward with the “Bear Claw”?

6. Based on the SWOT Analysis, what do you believe is the best strategic option for John DiGate with the “Bear Claw”?

TEACHING FLOW

1. Which stages of the new product development process were skipped by DiGate Design in the commercialization of the “Bear Claw”? How did ignoring these steps impact the success of the product?

Smaller organizations, and sometimes even larger ones, often don’t formally follow the steps of the new product development process. However, the likelihood for successful product development are greatly increased if organizations at least informally move through each stage of the process.

There are several models used to represent the new product development process, with the specific stages varying slightly, but all incorporating the following stages in some manner (it will be helpful for the instructor to display a slide that illustrates the process at this point in the discussion):

- Idea Generation
- Idea Screening
- Concept Development and Testing
- Marketing Strategy and Development
- Business Analysis
- Product Development
- Test Marketing
- Commercialization

In this section it will likely be most effective for instructors to work through each stage of the process with students to discuss the attention given to each stage by the company:

- Idea Generation – John followed a relatively classic idea generation path. He encountered a personal need, and in finding a unique solution to this need he developed a new product. If time allows, the instructor can lead students in a discussion of other products that were developed in a similar manner.
- Idea Screening Stage – The screening stage is when an organization more thoroughly reviews an idea, or ideas, to decide if the product concept merits moving forward to product development. As John went directly from thinking of a solution to his need to product development, it appears little, if any, time was spent on idea screening. As product development was relatively easy and fulfilled an immediate need, it is understandable how this occurred.
- Concept Development and Testing – As mentioned above in stage 2, since product development was relatively simple with this product, it was not surprising that the concept was quickly developed. It should be discussed with students that often concept development can be quite expensive, which is when the idea screening stage takes on more importance. Concept testing is an important element of this stage. During concept testing an entrepreneur will meet with potential users and distributors of the product. From these interactions they will obtain feedback on the product idea. For instance, do the users think the product will work? Do they have any suggestions for improvement? Do they know of any similar products in the marketplace? An entrepreneur will also attempt to gain feedback on future sales of the product (i.e. do the users/distributors see themselves buying the product, and if yes, how many would they likely buy?). This information is critical in deciding whether or not to move forward, and for the most part was ignored by DiGate Design until after commercialization (the last stage of the new product development stage).
- Marketing Strategy and Development – While likely considered there is little evidence that serious thought was given to marketing strategy at the early stages of product development. Instead, it appears the common new product mistake of “the marketing will take care of itself” was made when the high quality new product was developed.
- Business Analysis – At this stage an organization (or individual) examines all of the costs involved with commercializing the product and the likely revenue to be generated by the product. Based on the profit

potential of the product, and the likelihood of this potential being realized, an organization will decide if the development of the idea is the best use of its capital. While DiGate Design examined the cost of making and packaging the “Bear Claw” product, it likely did not have a good estimate of sales volume. While it was anticipated that the product would sell well, since it successfully addressed a common home repair need, no data was gathered at the concept testing stages to support this assumption. The business analysis stage is often the point where a decision is made to stop new product development, as there is little reason to move forward if the product is not going to be profitable. If DiGate Design did spend any time deliberating at this stage it was doing so without the data necessary to make an informed decision.

- Product Development – As discussed in the case, product development was completed rather hastily. The decision to go with a U.S. machining company, without even obtaining bids from international suppliers, led to delays and additional costs. It was a good business decision to move away from the U.S. supplier, despite the significant investment in machinery. That said, in the long term DiGate Design was able to develop a high quality product at a reasonable cost by outsourcing the work to a Chinese supplier.
 - Test Marketing – Test marketing is a critical step, in that it allows a company to reduce the costs in releasing a new product, by either fine tuning product and marketing variables, or by deciding not to proceed with a full product launch at all. It appeared that DiGate Design did not undertake test marketing, perhaps due to the relatively low price of manufacturing and the belief that the product would not require a significant amount of promotion (as mentioned in step 4 above).
 - Commercialization – The “Bear Claw” was commercialized immediately after product development. The product went from prototype directly to manufacturing, without the benefit of test marketing. Unfortunately the finished product has made a relatively small impact in the marketplace due to limited retailer availability and a lack of promotion. It is important to reinforce with students that success at the commercialization stage is based on the work that has been completed at the other stages.
2. How much has DiGate Design invested in the “Bear Claw” to this point, from the information provided in the case? Are these the total costs incurred by DiGate Design and John DiGate on the product? If not, please explain.

Students answer for the total investment of DiGate Design in the “Bear Claw” will likely vary between \$69,000 and \$76,000 based on the following expenses:

Machining Equipment	\$20,000
Bagging Equipment	16,000
Machining (China)	500
Orgill Show (Georgia)	6,000
Orgill Show (Florida)	7,000
Orgill Show (Maryland)	3,000
House Hanson Show	3,500
QVC Loss	20,000
TOTAL	\$76,000

Some students may argue that the losses from the Georgia and Florida Orgill shows were actually \$7,000 less, since \$7,000 of clips were sold at the shows. Due to the cost of the clips the actual loss is somewhere between the two figures, but the difference is not important in discussing the case. More astute students will also identify ongoing costs, such as the \$150 monthly warehouse expense, and costs that were not detailed in the case, such as the cost of visiting USG in Chicago.

However, the purpose of this question is for students to identify and discuss the most significant cost that is not discussed in the case; opportunity costs. It should be apparent to students analyzing the case that John DiGate spent several thousand hours developing and promoting the “Bear Claw”. As a talented engineer and carpenter the opportunity cost of the time invested in the product likely exceeded the actual investment cost.

3. How much marketing research was undertaken before the “Bear Claw” was commercialized. What type of marketing research do you believe would have been most beneficial for DiGate Design?

Students will strongly support the idea of doing marketing research. The instructor can respond with questions about the cost of marketing research (relatively expensive) and the financial resources of DiGate Design (relatively limited). Based on these constraints students will likely propose conducting at least limited qualitative marketing research, such as meeting with contractors as this was the target market with the greatest potential. This research should delve into not only whether the contractors believe it is a quality product, but also whether they would buy the product (and in what quantity and at what price). After commercialization, research indicated that contractors almost unanimously felt the product worked well. However, the question of whether contractors would switch from their traditional method of repairing drywall was never researched.

4. Complete a quick SWOT Analysis for DiGate Design. What do you believe is the most important information from this analysis for the company to consider when examining strategic options?

Students will mention many of the SWOT items identified below and will likely add several of their own. In the past, students have had a tendency to focus on the lack of any marketing experience of DiGate Design (not surprising as the case is used in a marketing course) and the difficulty of selling a single product to the large home improvement chains. Students will often state the best path to success for DiGate Design is to have the “Bear Claw” carried by the The Home Depot and/or Lowes chains, but they don’t think it is possible for DiGate Design to do so independently. Finally, students also often mention the difficulty of reaching the primary target market (contractors).

STRENGTHS

- High quality product
- Inexpensive to manufacture
- Favorable publicity
- Technical expertise of owner
- Obtained utility and design patents for the “Bear Claw”

WEAKNESSES

- Lack of Marketing/Management knowledge
- Shortage of financing
- No contacts in the industry
- Only one product
- No marketing research
- Lack of strategic planning
- No product identity

OPPORTUNITIES

- Contractors, with their potential heavy usage, have not been reached
- Product saves contractors time
- Homeowners can also use product
- Distribution through major hardware chains

THREATS

- Substitute product can be easily developed
- Big box hardware stores preference for working with suppliers that offer full product lines
- Difficult to reach contractors
- Cheaper for contractors to use current methods

5. What strategic options did John DiGate have when moving forward with the “Bear Claw”?

The strategic alternatives identified by students will most likely fall into the following categories:

- DiGate Design could have decided to manufacture and market the “Bear Claw” independently. A variant on this option would be for DiGate Design to take responsibility for manufacturing the product and then sell it to a distributor for inclusion with an existing related product line. This approach would provide the advantage of gaining access to that distributors established markets, with the downside of having to split the profits on sales of the “Bear Claw”.
 - Partnering with an individual or company with experience in product development and licensing would have helped DiGate Design with two areas where it lacked expertise. This option would have the advantage of gaining expertise in an area of weakness, turning a weakness to a strength. Hopefully, this partner could help determine the more profitable long term path for the “Bear Claw”.
 - Licensing the patents for the “Bear Claw” shortly after development of the product would have significantly lowered the expense and risk of developing the product. In addition this option would also provide important marketing research information, in that companies in the industry would have experience taking this type of product to market and their level of interest in the product would be an indication of their evaluation of the long term potential of the product.
6. Based on the SWOT Analysis, what do you believe is the best strategic option for John DiGate with the “Bear Claw”?

Student response to the best strategic option for DiGate Design will vary slightly. However, students will most often suggest that the company should either find a strategic partner or license the patents, or a combination of the two strategies (i.e. find a strategic partner that has connections to product distributors, or who may be able to help them license the patents). While this choice may appear logical to students in hindsight, it may be helpful to discuss with students why an entrepreneur may elect a strategy of proceeding independently. By proceeding independently it is often suggested that an entrepreneur retains more control and profit potential, while taking on more risk. The class will likely conclude that while many entrepreneurs have successfully gone to market on their own with little business experience, DiGate Design likely would have been more successful, or would have reduced losses, by teaming with a more experienced partner.

CONCLUDING COMMENTS

Students quickly engage with this case, perhaps because they can personally identify with the entrepreneur. Many students in entrepreneurship or marketing classes believe they would like to start their own companies and are just looking for that great idea to allow them to pursue their dreams. This case provides these students with some important issues to consider if they do get the opportunity to develop their own product, including:

- The necessity of having, developing or hiring expertise in critical business areas (marketing, finance, management, etc)
- A need for sufficient funding
- The importance of being able to economically reach your target market(s)
- The benefits of undergoing at least some market research
- Patents alone do not guarantee profitability (a high quality product or a great idea does not always lead to success, important to think about customer needs)
- Becoming attached to your idea and moving too quickly
- Under-estimation of opportunity cost
- Advantages of having a product line, as opposed to a single product

AUTHOR INFORMATION

Jerrold A. Van Winter, Ph.D., assistant professor of marketing, earned a doctorate in marketing from The George Washington University, with a secondary concentration in organization behavior. His areas of interest include international marketing, services marketing and marketing strategy. Van Winter started his career in the

telecommunications industry, and later served as first director of marketing and then president of a several hundred employee computer software company. He currently teaches and consults in both the marketing and management areas. E-mail: vanwinter@hood.edu